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RUEHKP/AMCONSUL KARACHI 0620
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SUBJECT: GOVERNMENT TO PRIVATIZE 17 PUBLIC SECTOR ENTITIES

¶1. (SBU) SUMMARY. On November 13, Naved Qamar the newly appointed Privatization Minister presented the fiscal year 2008-2009 privatization plan to Pakistan's parliament despite severe disagreement on the subject. The Privatization Ministry has identified 57 public sector entities for future privatization, 17 of which it proposes privatizing this fiscal year. END SUMMARY.

¶2. (SBU) On November 13, Privatization Minister Syed Naveed Qamar presented the 2008-2009 privatization plan to the Lower House of Pakistan's National Assembly. The move was made despite severe criticism of the Government of Pakistan (GOP) earlier this week when it announced the intent to privatize Qadirpur Gas Field of the Oil and Gas Corporation of Pakistan. Qamar, however, assured the House that the government would make a final decision on the privatization of the Qadirpur Gas Field after reaching consensus in parliament. Parliament members reminded the now ruling party (Pakistan Peoples Party) that as the opposition party it used to demand that all privatizations proposals would be brought before the National Assembly. The Privatization Ministry has identified 57 public sector entities for future privatization. The Ministry proposes privatizing the following 17 public sector entities in the current fiscal year.

¶3. (SBU) Heavy Electrical Complex (HEC): HEC is one of the industrial units of the State Engineering Corporation engaged in the manufacturing and refurbishment of power transformers, and is located about 65 kilometers (km) from Islamabad. HEC makes various types of transformers with a primary voltage range of 66 and 132 kilovolts. In addition, the HEC undertakes repair and refurbishment of old and damaged power transformers up to 500 kilowatts.

¶4. (SBU) National Power Construction Company (NPCC): NPCC works on power projects including extra high voltage transmission lines, cable networks, low voltage distribution network, substations, power generation plants, industrial electrification, external lighting of housing complexes. The services offered by NPCC include survey, design, and procurement of materials, installation, erection, testing and commissioning. NPCC's main area of operation during the last three decades has been Middle East with a concentration in Saudi Arabia and contracts worth over USD 600 million secured and completed. It is a public sector company under the Federal Ministry of Water and Power. The privatization Commission has identified pre-qualified bidders for the NPCC.

¶5. (SBU) Jamshoro Power Company Limited (JPC): On August 27, 2008, Pakistan's Planning Commission decided to invite fresh Expressions of Interests for the privatization of JPC located in Sindh Province.

JPC was established as a result of the unbundling of Pakistan Water and Power Development Authority (WAPDA) and was organized to take over all the properties, rights, assets, obligations and liabilities of three thermal power stations namely Jamshoro, Kotri and Lakhra with a total nameplate capacity of 1204 megawatts. The GOP intends to sell 51 percent of the company's equity, including management control, to a strategic investor or a consortium while maintaining 49 percent. JPC facilities are located near Hyderabad with key connections to the national grid for supply to Karachi.

¶6. (SBU) Pakistan Tourism Development Corporation (PTDC): The PC intends sale of 25 motels and one restaurant owned and operated throughout Pakistan by the Pakistan Tourism Development Corporation. The hotels range from four to 47 rooms and are from 90 km to 1620 km (Karachi) from Islamabad.

¶7. (SBU) Qadirpur Gas Field (QGF): The GOP plans to sell a 37 percent share of OGDCL's Qadirpur gas field along with the transfer of operational control. The transaction is temporarily delayed until consensus is reached in the National Assembly on the sale of the gas field.

¶8. (SBU) Larkana Coal Mining Project (LCM): LCM is located 176 km north of Karachi. The mine is owned and operated by Pakistan Mineral Development Corporation. It has Sub-bituminous to lignite type coal reserve of 38.82 million tons at production levels of 185,533 tons per year.

¶9. (SBU) Hazara Phosphate Fertilizer Limited (HPFL): HPFL is located in Haripur, North West Frontier Province, 75 km from Islamabad. The

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factory is situated on 57 acres of developed land, and includes factory, housing and other amenities. HPFL is operating in the fertilizer industry and manufactures Granulated Single Super Phosphate fertilizers using a combination of indigenous phosphate rock from the Kakul mines near the plant and imported rock from Jordan and Morocco.

¶10. (SBU) Khewra Salt Mines (KSM): KSM is located in Khewra, Punjab, about 160 km from Islamabad. It is the second largest salt mine in the world and attracts up to 40,000 visitors per year. Situated in the foothills of the Salt Range, in an underground area of about 110 sq. km, the KSM are the oldest mines in the sub-continent. Salt has been mined at Khewra since 320 BC. KSM has an estimated total of 220 million tons of rock salt deposits. The current production from the mine is 325,000 tons of salt per year. There are seven thick salt seams with a cumulative thickness of about 150 meters. At places the rock salt is 99 percent pure.

¶11. (SBU) Small and Medium Enterprise Bank (SME): SME Bank is a public limited company that provides a range of financial services designed for businesses under 250 employees if a manufacturing concern, or 50 employees if a trading/service concern. SME has approximately 630 permanent and contractual employees and 27 branches across Pakistan.

¶12. (SBU) Kot Addu Power Company (KAPCO): KAPCO is a large independent power producer, with a power generation capacity of 1600 megawatts. The government transferred management control and thirty six percent of the total shares to International Power in 1996. The government now holds 64 percent of KAPCO's total 880 million issued shares. The GOP plans to issue global depository receipts of KAPCO in the international stock markets.

¶13. (SBU) Faisalabad Electric Supply Company (FESCO): FESCO is one of the nine-electricity distribution companies (DISCOs) established as a result of the unbundling of the vertically integrated power division of WAPDA. It was organized to take over the properties, assets, obligations and liabilities of former Faisalabad Area Electricity Board of WAPDA. The company was incorporated in March 1998 as a public limited company. FESCO distributes and supplies electricity to a service area with a population of over 15.5 million to about 1.8 million customers.

¶14. (SBU) Printing Corporation of Pakistan Press (PCP): PCP was

incorporated in 1969 as a private printing corporation for the Federal Government Departments. It is a self-financed private limited company.

¶15. (SBU) Pakistan Machine Tool Factory (Pvt) Ltd. (PMTF): PMTF is a precision engineering goods manufacturing enterprise. It was established in technical collaboration with M/s. Oerlikon Buhrle Co. of Switzerland, a manufacturer of machine tools. The factory came into regular production in 1971. It is located about 35 km from Karachi City near Landhi Industrial Estate and spread over an area of 226 acres out of which 17 acres are occupied by works. The factory employs about 1900 engineers, technicians, workers, and other service staff. This factory is a unit of State Engineering Corporation of Pakistan and is engaged in the production of machine tools, automotive transmissions and axles components, gears for locomotives, pressure die cast parts, and other products.

¶16. (SBU) MORAFCO Industries Limited (MFCO): MFCO Industries manufactures and markets cooking oil and vegetable oil. The company was founded in 1960 and is based in Faisalabad.

¶17. (SBU) Services International Hotel (SIH): The government is inviting expression of interest for SIH located on the valuable real-estate location of Shahrah-e-Quaid-e-Azam, Lahore with an area of 113 square feet.

¶18. (SBU) Sindh Engineering Company Limited (SEC): SEC is a private limited company in Karachi. It manufactures trucks and spare parts. SEC was taken over from Wazir Ali Group in 1972 under the Economic Reform Order.

¶19. (SBU) Peshawar Electric Supply Company Limited (PESCO): PESCO is one of the nine electricity distribution companies (DISCOs)

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established as a result of the unbundling of the vertically integrated power division of WAPDA. The company was established and incorporated in April 1998 as a public limited company. It was originally organized to take over the properties, assets, obligations and liabilities of former Peshawar Area Electricity Board of WAPDA serving North West Frontier Province (NWFP) of Pakistan including the tribal areas. Subsequently, a new company Tribal Electric Supply Company Limited was spun out of PESCO in June 2002 for supply to tribal areas of PESCO. The present service area of PESCO includes NWFP, but excluding the tribal areas. PESCO distributes and supplies electricity to about 1.5 million customers.

¶20. (SBU) COMMENT. The GOP's fiscal year 2007-2008 privatization efforts raised only USD 26 million of the over USD 1 billion goal due to delays and cancellations. Despite the immediate need for fiscal resources and government statements regarding the benefits of privatization, the proposed privatization schedule is conservative and already encountering strong resistance from the public and Parliamentarians. END COMMENT.

PATTERSON